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C O N F I D E N T I A L SEOUL 001418

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TAGS: [PGOV](#) [PREL](#) [KS](#) [PINR](#)  
SUBJECT: LEE MYUNG-BAK ADVISOR ON ECONOMIC ISSUES AND DPRK

Classified By: A/POL Brian McFeeters. Reasons 1.4 (b/d)

#### SUMMARY

1. (C) Nam Sung-wook, Korea University economics professor and top North Korea policy advisor to leading presidential contender Lee Myung-bak, told Poloffs during a May 9 meeting that the 2007 presidential election was essentially about the economy, with North Korea a secondary issue. He said former Mayor Lee favors spending ten years helping North Korea reach a per capita GDP of USD 3000 (from about USD 500 now), and also believes that the ROK must reach a per capita GDP of USD 30,000 (from USD 18,600 now) before unification could be considered. End Summary.

#### IT'S THE ECONOMY

2. (C) Nam, with a PhD in economics from Missouri University, has written extensively on North Korea's economy, and is Lee Myung-bak's key advisor on North Korea policy. He said that the December 19 presidential election will be primarily about economics. Leading ROK businesses regard the Kim Dae-Jung and Roh Moo-hyun administrations as lost time for the ROK economy. Conglomerates are keeping their money in the bank now, rather than investing, because of increased corporate tax rates that Roh pushed through, and because of other anti-business policies. He said the 4-5 percent growth rate in recent years was due to fluctuating exchange rates and did not represent real economic development.

#### LEE'S USD 3,000/30,000 PLAN FOR NORTH KOREA

3. (C) Nam described economic conditions in North Korea as bearable for most of the population. The upper 20 percent of the population lived relatively well and the poorest 20 percent had no experience of anything but hardship. The poor lived like Koreans of the 19th century, when two small meals a day was the norm. Although North Koreans know the ROK and PRC are wealthier, it was unlikely there would be strong internal dissent over the poor conditions since they have never experienced wealth.

4. (C) Nam explained the Lee Myung-bak has a "3,000/30,000" vision for North Korea. Once North Korea achieved 3,000 USD per year per capita, dissent would begin and political and economic changes would likely occur from within. Therefore, Nam noted, until the North advanced, in about ten years, to

this level, there was no need to make detailed plans for reunification. It would likely take more than ten years for North Korea to change significantly. In addition, the ROK would have to reach a per capita income of USD 30,000 (from USD 18,000 now) before it could consider unification. (Comment: In short, the Lee plan, as outlined, appears to be a way of saying that potential unification is a long way off. End Comment.)

15. (C) During a June 2006 trip to Pyongyang, Nam walked on his own for two hours around the city one morning. While foreigners could walk freely around Pyongyang, Koreans were assigned minders and he had to sneak out of his hotel one morning to catch a glimpse of the city on his own -- and he found his guides very angry when he returned. He was most struck with the poverty and said the streets and people reminded him of 1960s or early 1970s South Korea. Since South Korea has undergone extensive development, including during the Park Chung-hee presidency, there was a wealth of development expertise in South Korea that could help North Korea transform its economy and reach the 3,000 USD level. Once 3,000 USD was reached, Nam said, people have the means to think about democratization. It happened in the late 1970s in South Korea, and it could happen in North Korea as well.

COMMENT  
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16. (C) Several sources close to Lee have repeatedly told poloff that Nam drives Lee,s North Korea policy. Nam and others close to Lee hope that the economy is the main issue in the December election, since Lee has a clear advantage over all other contenders with his Hyundai CEO background. Lee has assembled a group of accomplished academics on his foreign policy team, but despite his overseas travel and business experience, admits to being less accomplished on foreign policy than some of the other candidates. Lee is seen as a "doer" and his simple speaking style and hopes his catchy policy slogans -- 747 economic plan, 3.3 Unification Plan -- will get him enough votes in December.

VERSHBOW